

Business Model Types

There are many ways to run a business. As you think about how to make your business sustainable, consider these different business model options. Even if you've never heard of the names, you're probably familiar with many of these models. Not every model will work for every idea. Think hard, build on ideas, and be creative!



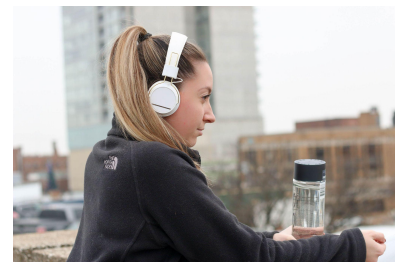
Manufacturer: The company builds a product and sells it to customers. Revenue (money earned) comes from the customer. Expenses include materials, labor (e.g. building the product and making sales), and advertising. The companies that build your iPod, your favorite skateboard, and your family car use the manufacturer model.

Aggregator: The company organizes a service offered by many different people and companies under one brand. For example, Uber uses the aggregator model because it organizes taxi services under the Uber name. Revenue comes from a percentage of the ride cost. The drivers must sign a contract agreeing to follow Uber's terms.



Retailer: The company buys products from a distributor and sells them to the consumer. Expenses include the cost to buy the products, advertising, managing the online or physical marketplace, and labor. Revenue comes from the customers. When you buy a new video game from a gaming store, you are using the retail model.

Freemium: The company offers a basic service for free, but charges extra for additional features. For example, you might stream music for free, but you have to listen to advertisements. Music without ads is considered "premium" and costs extra. Revenue comes from advertisers and from premium users. Expenses include the cost of maintaining the service platform, labor, and paying manufacturers for the product.





Subscription: The company gets customers to pay a regular fee for access to their service or product. For example, Netflix uses a subscription model. Revenue comes from subscribers. Expenses include maintaining the service platform (e.g. websites, servers, etc.) or the cost to produce or purchase the product included in the subscription (e.g. movies), advertising, and labor.

Nonprofit Organization: The nonprofit organization is a business ([501c](#)) that is operated for a collective, public, or social benefit. Examples of nonprofit organizations include: American Red Cross, American Cancer Society, and Habitat for Humanity. Expenses include advertising, fundraising events, facilities, and labor. Potential revenue sources include profit from products and/or services, donations, corporate sponsorships, and government grants. Any revenue generated that exceeds expenses (i.e., profit) is reinvested in the organization and used to extend the organization's mission. ([image source](#))



Consulting: The company (could be an individual or a group of individuals) provides services and guidance to another business in a specific area of expertise. Examples of some of the types of services consultants provide to their clients include gathering and sharing information, recommending solutions to targeted problems, supporting implementation of recommended solutions, and facilitating decision making processes. Expenses include advertising, potential office space, labor, and travel expenses. Revenue comes from the consulting fees paid by the business that hired the consultant. ([image source:](#))